

Operational Policy Letter #12

Department of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

December 15, 1994

RETROACTIVE PAYMENT ADJUSTMENTS

Operational Policy Question:

What is HCFA's policy regarding the period of time which may be considered for retroactive corrections to payment?

Answer:

HCFA's policy applies retroactivity of payment adjustments for three years as detailed in the attached letter (dated December 15, 1994) and addressed to the Chief Executive Officers of Medicare HMOs, CMPs and HCPPs.

Contact:

HCFA Regional Office Managed Care Staff

Date: December 15, 1994

TO: All Health Maintenance Organizations, Competitive Medical Plans, and Health Care Prepayment Plans

ATTENTION: Chief Executive Officer (CEO)

SUBJECT: Time Period for Retroactivity of Payment Adjustments

Dear Sir/Madam:

The purpose of this correspondence is to provide you with an update on HCFA's policy regarding the time period for retroactive corrections to payment. Risk-based health maintenance organizations may recall that a memorandum of November 28, 1994,

referencing payment options on overpayments, mentioned that we planned to formalize a policy for retroactive adjustments.

The policy which applies to retroactivity of payment adjustments for Medicare fee-for-service claims payments is three years. In order to ensure consistency across the Medicare program, we have decided to adopt a three year retroactivity policy for Medicare managed care. Under this policy, retroactive payment adjustments (both up and down) would be limited to a three year period preceding the month in which we receive any data that would indicate a change in beneficiary status. These changes could include demographic adjustments such as age, sex, institutional status, Medicaid status, as well as other indicators that reflect Medicare payment levels, e.g. working aged status, county of residence. For example, a payment adjustment is proposed in February 1995 to cover a period of at least three years. Assuming all documentary requirements are met, a payment adjustment would be made for all months starting in February 1992.

The three year retroactive policy would apply to both risk and cost contractors as well as health care prepayment plans.

We have already begun discussions with GHAA and AMCRA on the implementation of this new policy. We will continue to work with GHAA and AMCRA through the Industry Council to develop any new rules and procedures needed to implement this policy. We will continue to keep you informed of any further policy clarifications.

In the interim, please send all of your concerns and comments to Al D'Alberto of my staff. Mr. D'Alberto may be reached on (410) 966-7610.

/s/

Rooney C. Armstead, M.D.

Director